GOVERNMENT OF INDIA
DISINVESTMENT
LOK SABHA

UNSTARRED QUESTION NO:2285
ANSWERED ON:06.08.2003
VRS SCHEME IN PSUS
SATYAVRAT CHATURVEDI;SUNDER LAL TIWARI

Will the Minister of DISINVESTMENT be pleased to state:

(a) whether the Government are aware that irregularities have been committed in the matter of implementing Voluntary Retirement Scheme (VRS) in the public undertakings disinvested to the private sector;

(b) if so, the details of the irregularities noticed; and

(c) the action taken by the Government to check these irregularities?

Answer

MINISTER OF COMMUNICATIONS AND INFORMATION TECHNOLOGY AND MINISTER OF DISINVESTMENT (SHF SHOURIE)

(a) to (b) During the meeting of the Central Trade Union with the Hon'ble Prime Minister, held on 18th October, 2002, some of the trade union leaders had complained that workers of Bharat Aluminium Company Ltd. (BALCO) and Modern Food Industries (India) Ltd. (MFIL) have been laid off / retrenched without a fair deal.In view of this, a decision was taken that a small group consisting of representatives of the trade unions, employers and the Government would be constituted to visit these industries and to look into this issue. Accordingly, a team has been constituted comprising of Shri Hasubhai Dhave, President, Bharatiya Mazdoor Sangh; Shri Sharad S. Patil, Secretary General, Employers Federation of India; Shri Sanjeev S. Ahluwalia, Joint Secretary, Ministry o Disinvestment and Shri K. Chandramouli, Joint Secretary, Ministry of Labour.

The team has so far visited BALCO's head office / factory at Korba on 13-14th February, 2003 and one unit of MFIL located at Mumbai on 29th April, 2003. The report of the Committee shall be finalized as soon as the factory visits are completed.

(c) In the case of BALCO, the company has informed that it has given VRS in five, six-monthly instalments instead of a single instalment after consultation with employees since the company faced a financial crunch subsequent to the two months strike immediately after disinvestment. The employees had subsequently raised the issue that interest should be paid on the portion of VRS paid through instalments. This has been agreed to by BALCO and is being implemented.Protection of the interests of employees is one of the key concerns during disinvestment. Government introduces adequate provisions in the Transaction Agreements entered into with a strategic partner at the time of strategic sale to protect the interests of employees. Typical provisions related to protection of employees' interest are given in the Annexure.

ANNEXURE

Typical provisions related to employees' interest incorporated in the Shareholders Agreement are as follows:-

Recitals :

- Subject to the substantives clauses in this regard, the Parties envision that all Employees of the Company on the date hereof will continue in the employment of the Company.

- The SP recognizes that the government in relation to its employment policies follows certain principles for the benefit of the members of the Scheduled Caste/Schedules Tribes, physically handicapped persons and other socially disadvantaged categories of the society. The SP shall use its best efforts to cause the Company to provide adequate job opportunities for such persons.Further, in the even of any reduction in the strength of the employees of the Company, the SP shall use its best efforts to ensure that the physically handicapped persons, Scheduled Castes/Scheduled Tribes are retrenched at the end.

Substantive Clauses

- Notwithstanding anything to the contrary in this Article____, the Government, shall at any time and at its sole discretion, have the option of selling shares from its shareholding, in the company, representing not more than___of the share capital of the company existing as of date of this Agreement, to the employees, of the company ("employees sell share"). In the event that the Government exercises its option to sell part of its shares to the employees, the employees shall be issued fresh share certificates for the shares transferred to the employees. The Shareholders agree that, upon the completion of transfer, the shares transferred to the employees pursuant to this sub-clause shall not be subject to any restrictions in this Agreement, whether by way of a voting arrangement or a right

of first refusal.

- The SP covenants with the Government that

(a) notwithstanding anything to the contrary in this Agreement, it shall not retrench any of the Employees of the Company for a period of 1 (one) years from the Closing Date other than any dismissal or termination of Employees of the company from their employment in accordance with the applicable staff regulations and standing orders of the Company or applicable Laws;

(b) notwithstanding anything to the contrary in this Agreement, but subject to Sub-Clause (a) above, any restructuring of the Labour force of the Company shall be implemented in the manner recommended by the Board and in accordance with all applicable Laws;

(c) notwithstanding anything to the contrary in this Agreement, but subject to Sub-Clause (a) above, in the event of any reduction of the Strength of the company's Employees, the SP shall ensure that the Company offers its Employees an option to voluntarily retire on terms that are not, in any manner, less favourable than the VRS applicable before disinvestment.